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The Planning Department

City and County of San Francisco

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COMMERCE AND INDUSTRY INVENTORY

SUMMARY FINDINGS

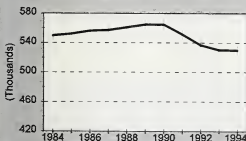
San Francisco and Region Moving Slowly Out of Recession While Increasing Economic Diversity

Small Employment Increase in 1994

Recent employment data show signs of a slow economic recovery from the recession both regionally and in San Francisco. In 1994, San Francisco experienced a small employment increase of about 1,300 jobs to 522,800. From 1992 to 1993 employment declined by about 5,400 jobs, from 526,900 to 521,500 jobs. This was about one-quarter of the decline of the 1991-1992 period. In San Francisco, business services, retail stores, multimedia, and small businesses are taking the lead in this economic recovery.

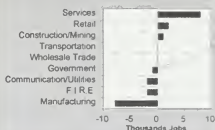
In the Bay Region, there has been relatively little variation in the approximately 2.9 million jobs throughout the 1990-1994 period. During the 1993-1994 period there was a very small regional employment decline of about 1,000. Employment increased by about 3,000 jobs from 1992 to 1993. In the region, as in San Francisco, 1991 to 1992 was the year of greatest job loss, with regional employment declining by about 50,000.

JOBS IN SAN FRANCISCO 1984-1994



most industries were stable, with total regional employment almost unchanged. Only the communications/utilities category lost more than two percent of its jobs, and no industry gained over one percent. The largest gain was in services, which increased by 8,000 jobs, or one percent, from 1993 to 1994. Service employment has been the sector that gained jobs over the period 1990 to 1994, growing by 7.2 percent, from 807,000 to 865,000 jobs.

REGIONAL EMPLOYMENT CHANGE BY INDUSTRY, 1993-1994



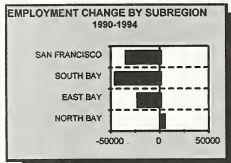
During the course of the recent recession, manufacturing, wholesale trade, and construction/mining lost the largest percentages of their total jobs in the region. Manufacturing lost 9.4 percent of its jobs between 1990 and 1994, ending with 436,000 jobs. It lost 1.8 percent between 1993 and 1994. The South Bay lost the largest proportion of its manufacturing jobs, while the North Bay actually gained manufacturing jobs. Wholesale trade had 155,000 jobs in 1994, down 10.9 percent from 1990. The North Bay gained some wholesale jobs while San Francisco lost 8,000, 26.2 percent of its 1990 total. Between 1993 and 1994 wholesale job loss stopped regionally, with North Bay and East Bay posting gains. Construction/mining jobs were down 12.3 percent regionally between 1990 and 1994, to 114,000 jobs. There were declines in all subregions. By 1994 this sector stabilized in all subregions except the East Bay.



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Between 1990 and 1993, South Bay Lost Most Jobs, North Bay Only Region to Gain Jobs

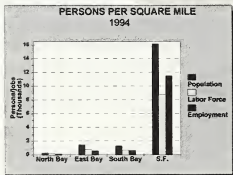
During the 1970s and 1980s the regional population, labor force and employment increased. During the early 1990s, the regional population and labor force continued to increase, while employment



declined. Between 1990 and 1994, the regional population increased by 376,000 persons, from 6,024,000 to 6,400,000. Labor force increased by 74,000 persons, from 3,288,000 to 3,362,000. At the same time, total employment declined by 56,000 jobs, from 2,941,000 to 2,885,000. During this period, employment in the East Bay declined by 5,000 jobs to 877,000, in San Francisco by 36,200 jobs to 522,800, and in the South Bay by 26,000 jobs to 1,092,000. The North Bay was the only subregion that actually gained jobs, adding about 10,000 new jobs, for a total of 392,000 over this period.

Employment, Labor Force, Population Densities in San Francisco Are More Than Ten Times Higher than Bay Area Densities

San Francisco is the smallest county in terms of land area in the region, but has a much more intense use of its land than any of the other eight counties in the Bay Area (Marin, Sonoma, Napa, Solano, Contra Costa, Alameda, Santa Clara, San

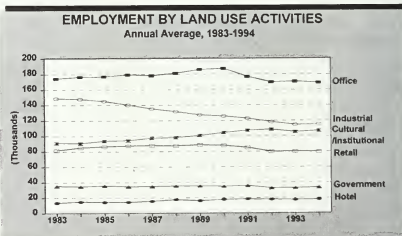


average. There is an average of 10,500 jobs per square mile in San Francisco, while the rest of the Bay Area has an average of 400 jobs per square mile. The North Bay has 100 jobs per square mile while the East Bay and South Bay both have about 600 jobs per square mile. Labor force and resident population densities are also highest in San Francisco. The average labor force density in San Francisco is close to 9,000 persons per square mile while the rest of the region has an average of 500 persons per square mile. The residential density in San Francisco shows an average of slightly more than 16,000 persons per square mile while the rest of the Bay Area shows fewer than 900 persons.

SAN FRANCISCO ECONOMIC INDICATORS

Recession impacts and timing of recovery vary for different land use activities

The Office sector has been the largest provider of employment in San Francisco since the early 1980s. It represents about 168,600 jobs, or one-third of all jobs in the city. It includes business services, finance, insurance, real estate, professional services, legal services, and others. Industrial and Cultural/Institutional activities are the second and third largest categories with about 110,000 jobs in each category, or more than 20 percent of all citywide jobs each. Industrial activities have almost continuously declined since the early 1980s. Cultural/Institutional activities have increased at a faster rate than many other activities. Retail activity accounts for about 80,000 jobs and Hotel for about 18,000 jobs. These two activities are closely associated with the visitor sector and together represent about 19 percent of all jobs in the city. Government accounts for about 33,000 jobs which represent 6 percent of all San Francisco jobs.



In San Francisco, each Land Use Activity has shown different periods of employment contraction and recovery through the recession. The employment decline started in 1990 for Retail activity, in 1991 for Office activity, in 1992 for Hotel activity, in 1993 for Cultural and Institutional activities, while Industrial activity was already losing jobs before the recession started. As of

1993, Office, Retail, and Government activities began to recover, showing some small employment growth. However, this increase is still dwarfed by the decline of jobs in other activities. In 1994, Cultural and Institutional activities added 1,500 jobs, Hotel added about 700 jobs, Industrial about 500; while Office and Retail activities showed an overall small decline.

Office Services, Apparel Stores, Retail Services and Repairs, and Printing and Publishing Lead Recovery from Recession

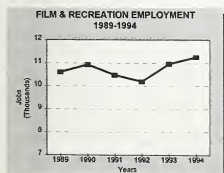
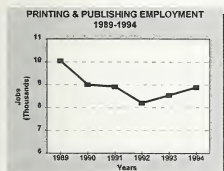
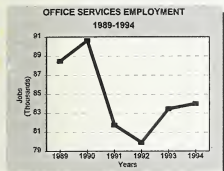
There are a few industry groups showing small increases in jobs. These industries, which are leading San Francisco's economic recovery, are found in Office, Retail, Industrial and Cultural /Institutional Activities. After two years of employment decline, Office Services (a subset of Office Activity, including professional services, such as architectural accounting, engineering as well as business services such as advertising, computer services, etc.) gained almost 4,000 new jobs from 1992 to 1994, although it has not regained 1990 levels. It went from 79,900 in 1992 to 84,000 in 1994. Restaurants and printing and publishing, also showed employment growth in 1993, gaining about 1,500 and 300 jobs respectively. Restaurant jobs grew by about 700 jobs between 1993 and 1994, up to 32,000. During the same year, printing and publishing grew by 400 jobs up to 8,900. Film production and recreation jobs increased by 800 in 1993 and by 300 in 1994, up to 11,300 jobs.

After three years of decline, retail sales increased by 300 million dollars in 1994.

Retail activities in San Francisco represent about 15 percent of all city jobs, 24 percent of gross receipts, and about 28 percent of all businesses. These shares of Retail activity within the San Francisco economy have remained relatively stable over the past ten years.

The number of retail permits as reported by the State Board of Equalization has constantly increased since the early 1980s. Even during the recession, the number of permits continued to grow, while their overall volume of sales declined. Between 1990 and 1993, the number of retail permits increased by 2,700 or more than 20 percent, going from 11,109 to 13,849. However, during the same period, retail sales dollars in San Francisco declined by about 15 percent to \$5.2 billion in 1993. This numerical increase is partially explained by an increase in part time permits for temporary businesses. While retail sales in the city were still declining in 1993, this decline was less than one percent, a much smaller decline than in 1992. In 1994, retail sales increased by about 7 percent, or more than \$300 million in 1994 constant dollars.

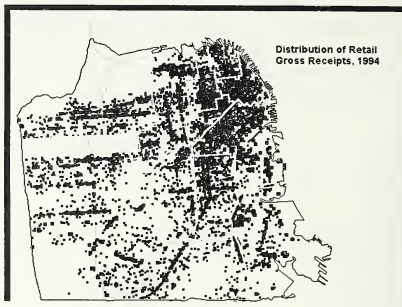
Miscellaneous retail, restaurants, general merchandise, and apparel stores represent the largest number of establishments and volume of sales. These categories together comprise close to 13,000 establishments, or 90 percent of all retail establishments, and more than 70 percent of all retail sales.



Auto dealers and auto supply stores, which had one of the largest declines of retail sales in 1991 and 1992, rebounded in 1993 with an increase in sales of about 6 percent over the previous year. In 1994, their sales increased by almost 8 percent and represented approximately 260 million dollars. Miscellaneous retail stores which include specialty stores such as gifts, art goods, jewelry, photographic equipment stores among others, began their recovery in 1993 with a sales increase of about 0.7 percent. In 1994, their sales increased by more than 5 percent. Restaurants and drinking places also showed a more stable performance with no decline in sales during 1993 and an increase of 6 percent in 1994. In 1994, they represented approximately 1.2 billion dollars. Most retail stores had an increase in sales during 1994, except for food and liquor stores and apparel stores. Even general merchandise stores, which had declining sales for five years, showed an increase of 6 percent in 1994.

Most San Francisco Neighborhoods Contain Very Diverse Economic Activities; Others Are Specialized

Almost 33 percent of the City's jobs are located in the Financial district (172,000 jobs); almost two-thirds of the jobs in Financial District are office jobs (70,000). Some districts specialize in one predominant activity while other districts have very diverse activities, with no one type of job predominating. In 1994, the North Beach District had about 16,000 jobs or 3 percent of the total employment in the city. More than one third of these jobs were in retail activities, including small stores and restaurants. The South West district also specialized in retail jobs: 31



percent of its 30,000 jobs were in this activity. The Bay View district specializes in Industrial activities. It had about 15,000 jobs or 3 percent of the citywide total, and 47 percent of these were Industrial jobs. The North Central District, home to many schools and hospitals, had half of its 45,000 jobs in the Cultural/Institutional category. The remaining districts generally had similar job profiles to that of the City, with a higher proportion of Retail jobs (many of them neighborhood-serving) than the downtown districts, and a much lower proportion of Office jobs.



Apparel and Textile Manufacturing Showed Constant Growth Throughout Recession

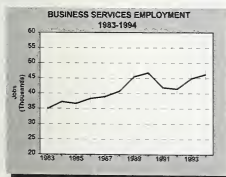
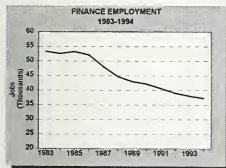
The Industrial Land Use category, which includes manufacturing, transportation, communications, and wholesale trade, has constantly declined over the past 15 years. However, specific industries within this broad category have shown different growth patterns. Since 1986, apparel and textile manufacturing has shown constant employment growth. Between 1986 and 1994, this industry grew by about 20 percent from 11,700 to 14,700 jobs. Even between 1990 and 1993, during the recent recession, employment in this industry increased by about 1,000 jobs. Employment in food processing declined until 1990. Between 1990 and 1993, it grew by 600 jobs and then declined by 900 jobs in 1994. Wholesale trade has probably shown the largest employment and space decline among all industry groups in the city. Since 1985, it has lost more than 13,000 jobs. It went from 35,500 jobs in 1985 to 22,000 in 1994. During the same time, large warehouses, where wholesale activities take place, have been remodelled for other uses or left vacant, thus any recovery of wholesale trade in San Francisco may be limited by the availability of land and buildings.

NEW EMPLOYMENT PATTERNS EMERGE

Small Business Services Replacing Large Financial Businesses while Multimedia and Telecommunications Remain Stable During the Recession

Finance jobs, mostly in large businesses located in highrise office buildings within the downtown area, began to decline in the late 1980s. This decline continued, at an accelerated rate, throughout the recession. Between 1990 and 1994, approximately 5,000 finance jobs were lost in San Francisco. They went down from 43,100 to 37,200. At the same time, business services, mainly characterized by small businesses and a very diverse set of activities (advertising, reproduction, building maintenance, computer and data processing, research and development, temporary jobs), experienced a very different trend. This industry group showed a fast pace of employment growth during the 1980s and although it experienced some employment decline during the recession, it began to recover in 1993. Between 1992 and 1994, this group grew by about 5,000 jobs from 41,400 to 46,300.

New trends in the multimedia and telecommunication industries are affecting a combination of existing Industrial and Office activities such as printing and publishing, computer and data processing, communications, advertising, electronics manufacturing, and film production. These industries have remained stable during the recession and have added some jobs and new businesses over the past two years.

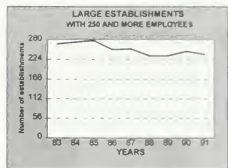
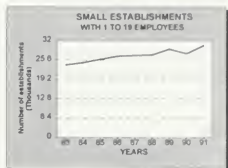


cent, of San Francisco businesses had more than 20 employees, and only 1,500, or 5 percent, had more than 50 employees. This pattern of an increasing number of small establishments has been taking shape since the late 1980s.

Additionally, the development of multimedia industries is creating an increasing overlap between Office and Industrial activities. These firms use a variety of types of space, from small offices to large warehouse studios.

Three-Fourths of All San Francisco Businesses Have Less than 10 Employees

Most businesses in San Francisco are small. As of 1993, out of the 30,000 establishments in San Francisco, more than 22,000, or about 75 percent, were small businesses with less than 10 employees. Only 4,000, or 13 per-



Between 1983 and 1991, San Francisco experienced a large increase in small establishments with fewer than 20 employees. The number of these establishments went from 24,000 in 1983, to about 30,000 in 1991, representing an increase of 25 percent. During the same period, large establishments with more than 250 employees, declined by more than 10 percent, from about 270 to 240 establishments. The Financial, South of Market, and Bay View districts have the highest number and share of large establishments among all districts in the city. A large proportion of small businesses are found in the Financial, South of Market, South West, and North Central districts.

Jobs, Business Gross Receipts, and Construction Activity are Concentrated in the Financial District and South of Market District

The Commerce and Industry Inventory defines ten separate Commerce and Industry districts each of which is

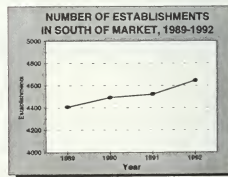
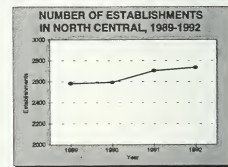
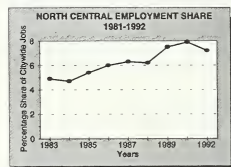
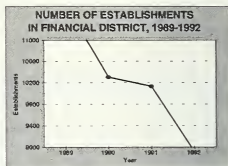
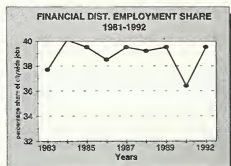
a cohesive area with similar economic characteristics. These districts follow the boundaries of one or more zip codes since most economic data are reported by zip code. This geographic format is used to provide more detailed information on distribution of jobs, businesses, revenues, and building activity within the city.

The Financial district is characterized by a very high concentration of activities accommodated in high-rise buildings in a small geographic area. Employment density in the Financial District exceeds 170,000 jobs per square mile, almost 20 times the density in the outlying districts and about 15 times the average citywide employment density. The revenue generation is also very high in the Financial district. More than \$12 billion per square mile are generated in the Financial district, 18 times the citywide average of \$0.7 billion per square mile. When looking at the revenues generated by office businesses in the Financial district, in comparison with the average citywide, the differences are even greater. The office revenue generation of \$7.5 billion per square mile in the Financial District is 27 times the citywide average. The number of establishments per square mile in the Financial district is 8,400, 13 times the average number of establishments per square mile citywide. In spite of very limited new construction activity in Downtown during recent years, in 1994 there was a very high volume of construction investment in the Financial District. This amounted to about \$137 million per square mile, almost ten times the citywide average construction cost of \$14 million per square mile.

Most of the city's economic activity is concentrated in the Financial and South of Market districts. There are about 275,000 jobs located in these two districts, representing more than 50 percent of all jobs in the city. All other districts in the city have much smaller employment shares of less than 10 percent each. Most of the construction activity, establishments, and gross receipts from business activity also occur in the Financial and South of Market districts. About \$287 million of construction activity, including new buildings and remodelling, occurred in these two districts in 1994. This dollar amount represents about 43 percent of all construction activity citywide. Almost 13,000 businesses, or 45 percent of the total, are located in these districts. Almost \$18 billion, or close to 55 percent of the city's gross business receipts, are generated in these two districts.

SOUTH OF MARKET AND NORTH CENTRAL DISTRICTS GAIN BUSINESSES AND JOBS

In recent years, the high concentration of economic activities in the Financial District has, at best, remained steady, and more commonly, has declined, while the shares of activities in the South of Market and North Central districts have shown some increases. The North Central district covers several mixed-use and residen-



tial neighborhoods including the Marina, eastern Pacific Heights, Western Addition, and Haight-Ashbury. Between 1989 and 1992, the Financial District lost about 2,800 businesses, or more than 20 percent of its total. It went from 11,700 to 8,900. While the North Central and South of Market districts have gained about 150 and 250 businesses, respectively. In 1992, North Central had 2,700 establishments and South of Market had 4,700 establishments. These influxes of new businesses represented an increase of about 7 percent for each district.

A similar pattern was observed in terms of employment. Between 1983 and 1992, the South of Market and North Central districts increased their employment share while the Financial district showed a small decline. The North Central district increased from 5 to about 7 percent of all jobs in the city, while South of Market increased from 14 to almost 17 percent of all jobs in the city. The Financial district reached its peak in 1984 when it represented more than 40 percent of all jobs, but since then it has fluctuated between 36 and 40 percent.

The fast pace of employment and businesses growth in the North Central and South of Market Districts reflects the increasing diversity and interrelation of economic activities in San Francisco's greater downtown. Office activity, the largest employment activity, is complemented with Cultural/Institutional and Industrial which are the predominant activities in the North Central and South of Market Districts and the second largest activities in the Financial District. About half of all

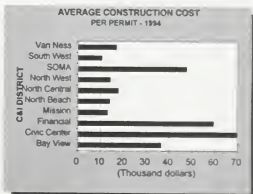
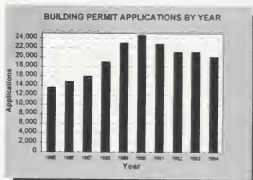
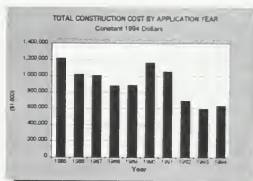
jobs in the North Central District belong to Cultural/Institutional activities and one third to Office. The South of Market District shows one third of all its jobs in Industrial activities and one fifth in Office activities. The Financial District shows about two-fifths of all its jobs in Office activities, one fifth in Cultural/Institutional, and one fifth in Industrial.

Building Permit Applications Down, Value Up

About 20,000 building permit applications were filed in 1994. This number was about 5% below 1993, and lower than any year since 1988. Permits for construction or alterations of Hotel, Cultural/Institutional and Office projects increased over 1993. Retail, Industrial and Residential permits declined. Permit applications increased in the Civic Center and South of Market districts. They were stable or declined elsewhere.

Although the number of building permit applications filed was down in 1994, the total, and therefore the average, construction cost associated with these applications increased. The total construction cost of the applications filed in 1994 was \$642 million. This total represented an increase of 5 percent compared to 1993. The increase in applications and decrease in overall construction cost reflects the fact that projects are larger and more costly. After three years of decline, total construction cost for proposed Retail projects doubled to \$107 million, the largest increase of any land use activity. Total cost for Hotel projects was down 59%, after a large increase from 1992 to 1993.

The highest total construction costs were associated with the 2,000 permits with costs of \$145 million filed for projects in the Financial District, and with the 7,400 permits with costs of \$143 million filed for projects in the South West District.



Civic Center, Financial District and South of Market District Lead in Average Cost per Permit

The Civic Center district was first in average construction cost (\$103,000) due to a number of large Cultural/Institutional projects, while the Financial District which had predominantly office construction, was second (\$73,000), its highest average in three years. The South of Market District (SOMA) had the third highest 1994 average cost per permit, with \$66,000. The South West district, with predominantly Residential projects was last of the ten districts in average construction cost with an average of \$12,000 per project.

1995 COMMERCE AND INDUSTRY INVENTORY

This *Summary Findings* summarizes the 1995 *Commerce and Industry Inventory*. The Planning Department prepares *Commerce and Industry Inventories*, usually annually, to provide an ongoing time series of data about ongoing economic trends. The *Inventories* follow a consistent framework and use a common set of terms to facilitate understanding of the changes that occur in the economic life of the City over time. They detail levels of employment, number of business establishments, distribution of economic activities by district, wages and gross receipts, and construction activity. These data come from a variety of sources, including the United States Bureau of the Census, the California Employment Development Department, the State of California Board of Equalization, the San Francisco Office of the Controller, the San Francisco Department of Building Inspection, and the San Francisco Planning Department.

SAN FRANCISCO MAIN ECONOMIC INDICATORS

	1993	1994	units	1993-1994 CHANGE	
				absolute	%
Employment	521,500	522,800	jobs	1,300	0.2
Unemployment	7.2	6.7	percent	-0.4	—
Population	744,000	752,000	persons	8,000	1.1
Labor Force	409,000	408,000	persons	-1,000	-0.2
Hotel & Motel Visitors	3.04	3.07	million persons	0.03	1.0
Establishments	35,154	—	establishments	—	—
Retail Sales ('84 \$)	3.57	3.78	billion dollars	0.2	5.9
Sales Tax Permits	13,849	14,067	stores	385	2.8
Wages	20.0	19.9	billion dollars	-0.1	-0.5
Gross Receipts	—	27.0	billion dollars	—	—
Consumer Price Index	146.3	148.7	percent	2.4	—
Building Permits filed	21,199	20,189	permits	-1,010	-4.8
Construction Cost	603.3	640.5	million dollars	37.2	6.2
Property Value	56.5	59.6	billion dollars	3.1	5.5
Downtown Office Space	40.68	40.85	million sq ft	0.17	0.4
Downtown Vacancy	14.1	12.2	percent	-1.9	—
Housing stock	333,138	333,938	units	909	0.3
Airport Passengers	32.0	34.0	million persons	2.0	6.3
Airport Cargo	1.7	1.2	billion lbs.	-0.5	-29.4
Port Cargo	3.167	—	metric rev. ton.	—	—

Copies of the full *Inventory* are available from the San Francisco Planning Department, 1660 Mission Street, San Francisco. There is a \$12.00 charge for the *Inventory*.

Planning Department

City and County of San Francisco
1660 Mission St., San Francisco, CA 94103

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Commerce and industry
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